



COLORADO REAL ESTATE JOURNAL

THE COMMUNICATION CHANNEL OF THE COMMERCIAL REAL ESTATE COMMUNITY

MAY 5, 2011 – MAY 17, 2011

Work to start on Observatory Park project

by Jennifer Hayes

Urban West Group has put together the pieces of a long-planned development designed to bring a mix of uses – and potentially some of the highest apartment rents in the city – to the southeast corner of University Boulevard and Evans Avenue in Denver.

The Shops & Apartments at Observatory Park, as it's tentatively named, will comprise an 11-story midrise with 213 market-rate apartments above 25,500 square feet of ground-level retail.

Work on the \$57 million development is set to start in the next 30 days – three years after the firm, led by co-founders and principals David Elowe and Dan Ezra, first began planning the project.

Urban West Group started assembling the six lots for the project at 2100-2142 S. University in 2008, however, with the downturn in the financial markets later that year, funding for commercial product dried up.

"It was tough to live in a period of time when you were told that location didn't matter but the price getting in did. It was as if all the rules of commercial real estate were thrown out," commented Elowe. "Now, it seems there's been a return to a world that makes sense and good projects in good locations move forward. And this project is at Main and Main in Denver."

Situated across from the University of Denver, minutes from Interstate 25 and four blocks from a light-rail station, The Shops & Apartments at Observatory Park will be the first new, large market-rate multifamily housing in the area in decades.

"I think there is definitely a need in the submarket for the project," said apartment expert Cary Bruteig of Apartment Appraisers & Consultants, who noted that very little product, except apartments for DU students recently has been built in



The 11-story Shops & Apartments at Observatory Park will comprise 213 market-rate apartments above 25,500 square feet of ground-level retail space neighboring the University of Denver.

the area.

The apartments at Observatory Park predominately comprise one-bedroom, one-bath units (including studios) with the balance (25 percent) consisting of two-bedroom, two-bath units.

Apartments, which average 920 square feet, feature 10-foot ceilings, granite counter tops, hardwood floors, large windows, and washers and dryers, and are geared to residents such as young professionals and DU professors and employees. As well, 65 percent of the apartments have large balconies while penthouse units have 11-foot ceilings.

The first three floors of apartments are single-loaded units wrapped around 254 parking spaces for residents. The fifth floor houses the pool, hot tub and leasing center. From the fifth floor up, the building features "unfettered views," added Elowe.

Apartments are slated to be completed in April 2013 while the retail space is expected to be completed the prior fall.

"We are excited to take the retail space to market. It's a market with very little nonstudent-oriented retail," said Elowe, who noted

that multiple national retailers and restaurants have expressed interest in the multitenant space. "It's an attractive deal to a lot of retail groups because of the strong corner and the parking."

The Shops & Apartments at Observatory Park features 103 underground parking spaces.

Phil Hicks of David Hicks & Lampert Brokerage LLC is marketing the space, which ideally would include an upscale urban market.

Shaw Construction is the contractor for the Observatory Park project, designed by Shears Adkins Rockmore. LaSalle Investment Management is the equity partner on the project, funded through a conventional construction loan from PNC Bank.

The Shops & Apartments at Observatory Park is the first apartment project to break ground in Denver in a number of years using conventional debt, but not the last as developers' – and banks' – interest in the metro area is piqued.

"Developers are swarming the city," Bruteig said of the attention due to decreasing vacancy rates and low levels of new construc-

tion in the pipeline, which are expected to contribute to continued rent growth for the remainder of 2011 and into 2012.

"There is just an incredible amount of activity and interest from developers, including new developers to the market and ones we haven't heard from in years. It seems to be the beginning of the next building boom as long as developers can get financing and rents rise to justify new construction," he added.

"I think the building is uniquely situated to have some of the highest rents in Denver when it opens," said Elowe, who, combined with Ezra, has been responsible for the development and construction of more than \$800 million of commercial and residential real estate over the last 25 years.

"If we deliver now or if we deliver five years from now, we'll be hitting the market," added Elowe.

"The project fits the corner, fits the neighborhood. We see it as a real asset to the community, which been very supportive of the project."▲